

# Audit & Governance Committee

**Dorset County Council**



Date of Meeting	20 September 2016
Officer	Chief Financial Officer
<b>Subject of Report</b>	<b>Statement of Accounts</b>
Executive Summary	<p>The Accounts and Audit (England) Regulations 2015 require the annual statement of accounts to be certified as representing a true and fair view by the Authority's Chief Financial Officer and then submitted to the external auditor by 30 June. The accounts must then go through the audit process and be approved by the Council (or a Committee to which it has delegated authority) by 30 September.</p> <p>The Regulations also require consideration of the findings of reviews that underpin the Annual Governance Statement, as well as the statement itself. The Annual Governance Statement was reviewed by the Audit &amp; Governance Committee at its meeting on 8<sup>th</sup> June 2016 and recommended for approval by Cabinet (Cabinet approval was given at the meeting on 29 June 2016).</p> <p>The Statement of Accounts for 2015/16 that accompanies this report has been reviewed by the Authority's external auditor, KPMG LLP. The Auditor's report appears elsewhere on this agenda, with an unqualified opinion.</p> <p>Members are already aware of the Authority's financial performance for the year ended 31 March 2016 as a financial management report was brought to the 8<sup>th</sup> June 2016 meeting. However, some summary analysis is repeated in this report for completeness.</p> <p>The accounts have been prepared in line with International Financial Reporting Standards (IFRS) as incorporated into the CIPFA Code of Practice on Local Authority Accounting 2015/16.</p>

## Statement of Accounts

	<p>Details of specific IFRS and Code requirements and how the Authority applies them are explained in the Accounting Policies section of the Statement of Accounts and in the relevant notes to the accounts.</p>
Impact Assessment:	<p><b>Equalities Impact Assessment:</b></p> <p>The Statement of Accounts is largely an historic record of the Council's financial affairs during the past financial year and there are no equalities issues arising directly from them.</p>
	<p><b>Use of Evidence:</b></p> <p>The accounts are based on the financial records of the County Council, as maintained in the main Enterprise Resource Planning system (known as DES) and supporting systems and records. They have been subject to review by the external auditor, who has given an unqualified opinion.</p>
	<p><b>Budget:</b></p> <p>Although there are no direct budget implications arising from this report, the outturn and financial position, as reported in the accounts influence the Council's Medium Term Financial Plan and Strategy. The Committee is already being kept informed of progress towards balancing the 2017/18 budget (and MTFP) and the forecast outturn position for 2016/17, separately.</p>
	<p><b>Risk Assessment:</b></p> <p>As the Statement of Accounts is largely an historical document, there are no real risk implications except when there are issues to report (such as overspends, for example) that impact on the Medium Term Financial Strategy.</p>
	<p><b>Other Implications:</b></p> <p>None.</p>
Recommendation	<p>That members consider and approve the Statement of Accounts for the year ended 31 March 2016.</p>
Reason for Recommendation	<p>Under the Accounts and Audit (England) Regulations 2015, the Statement of Accounts and Annual Governance Statement must be approved by the Council, or a Committee to which the Council has delegated authority by 30 September.</p>
Appendices	<p>Statement of Accounts</p>

## Statement of Accounts

Background Papers	Accounts and Audit (England) Regulations 2015 CIPFA Code of Practice on Local Authority Accounting in the UK 2015/16 CIPFA Service Reporting Code of Practice 2015/16 Internal Audit Quarterly and Annual Reports 2015/16 Corporate Governance Framework – Annual Compliance Assessment 2015/16
Report Originator and Contact	Name: Jim McManus Tel: 01305 221235 Email: <a href="mailto:j.mcmanus@dorsetcc.gov.uk">j.mcmanus@dorsetcc.gov.uk</a>

## Statement of Accounts

### **1. Background**

- 1.1 The County Council is required to prepare its annual accounts in accordance with proper practice. This means compliance with the latest Code of Practice on Local Authority Accounting in the UK, the Service Reporting Code of Practice and the latest version of the Accounts and Audit Regulations. More information about adoption of and compliance with the Codes and how this affects the Authority's accounting methods, disciplines and practices is explained in the statement of accounting policies and the notes to the accounts.
- 1.2 The Accounts and Audit (England) Regulations 2015 require the Authority's draft accounts to be certified by the Chief Financial Officer and submitted for audit by 30 June, with the Auditor's opinion due in time for final approval of the accounts by Members by 30 September.
- 1.3 Government has made changes to the Accounts and Audit Regulations which will mean bringing forward the dates for certification, audit and approval of the statement of accounts. The faster closedown process is mandatory from the closedown of the 2017/18 accounts but the Authority implemented transition arrangements during 2015/16 to quicken the closedown and audit processes, to ensure early compliance.
- 1.4 I am pleased to be able to confirm that the Statement of Accounts was certified by the Chief Financial Officer on 31<sup>st</sup> May 2016. Further work will now be carried out to reduce the closedown timetable further over the course of the next two years, with a target date of 30<sup>th</sup> April for certification by the CFO.
- 1.5 The statement of accounts is clearly a cornerstone of any organisation's financial governance arrangements and the reduction in time taken to produce this document should not be seen as an attempt to lessen its importance. Rather, a more structured and disciplined approach to the work of closedown being shared across the wider team allows tasks to be carried out in parallel rather than in sequence. A robust do/review/sign-off procedure and thorough working papers approach will also enable this reduction in time spent on the accounts so we can deploy our people to secure the organisation's future.

### **2. The Annual Governance Statement**

- 2.1 The Annual Governance Statement appears as Appendix A to the Statement of Accounts. Since 2011, the AGS has been a statement in its own right but still must accompany any Statement of Accounts published in accordance with the Regulations.
- 2.2 The Annual Governance Statement for 2015/16 has been prepared in line with the recommendations published in 2007 by CIPFA and SOLACE, the public sector accountancy and local authorities' chief executives organisations, and additional requirements put forward by CIPFA in March 2010.
- 2.3 The Committee recommended approval of the draft statement to Cabinet at its meeting on 8<sup>th</sup> June 2016 and Cabinet approved the AGS on 29<sup>th</sup> June, so no further detail is provided here.

### **3. The statement of accounts**

- 3.1 The County Council is required to follow the standard accounting practices prescribed in the key documents listed in paragraph 1.1. This involves a number of technical entries that can make the accounts harder for the lay-reader to understand. Nevertheless, Members are required to give formal approval to the accounts in this format and the person presiding at the meeting at which they are approved is required to sign and date them.

## Statement of Accounts

- 3.2 The introduction to the accounts summarises the major issues addressed by the County Council during the year and key aspects of financial performance. The narrative also defines and describes the content of the primary financial statements.
- 3.3 Only limited, further analysis of the financial performance and position is offered here as it has already been covered in the foreword, in the accounts themselves and in previous reports to Committees covering the forecasts and final outturn for 2015/16. A short presentation will also be provided on the day to ensure Members understand the key components of financial performance and position.
- 4. Financial performance for the year and financial position at 31 March 2016**
- 4.1 Overall the County Council overspent its budget by £0.688m. Table 1 illustrates the key variances against the Directorate and Central Budgets. The key variances were provided in the June report so are not repeated here.

**Table 1 – outturn 2015/16**

Directorate	Budget £000	Outturn £000	Variance £000	% Var
Children's Services	59,534	64,362	(4,828)	-8%
Adult & Community Services	120,713	121,373	(660)	-1%
Environment and the Economy	31,298	30,433	865	3%
Chief Executives	20,473	20,025	448	2%
Partnerships	19,135	18,798	337	2%
<b>Service Total</b>	<b>251,153</b>	<b>254,991</b>	<b>(3,838)</b>	<b>-2%</b>
Central budgets	(247,031)	(250,181)	3,150	1%
<b>Total</b>	<b>4,122</b>	<b>4,810</b>	<b>(688)</b>	<b>-16%</b>

- 4.2 Despite this net overspend of £0.688m for the year, the change of method of calculating minimum revenue provision (MRP) also enabled the authority to make backdated, cumulative changes during 2015/16, meaning an additional £2.7m was transferred to the general fund. The County Council's balances therefore closed the year at £14.6m, comfortably above the lower-end of the operating range of £10m.
- 4.3 Liquidity was maintained at adequate levels during the year with no concerns over the ability to discharge creditors and other payments as they fell due. The cash flow statement shows a net cash outflow during the year and a negative cash balance at the year-end. However, this is because the Authority's cash balances and those of the Dorset Local Enterprise Partnership are managed on a unified basis and gave combined total net cash of £12.7m at 31 March 2016.
- 4.4 Note 38 to the accounts sets out the profile of the Authority's borrowing and shows that during the year there was net repayment of nearly £31m. The average interest rate, however, has increased to nearly 4% for both PWLB and other borrowing and the interest payable on all loans amounted to £7.564m compared to £7.494m in 2014/15.
- 4.5 In terms of the balance sheet, total fixed assets carrying values remains relatively stable with the only significant movements being in assets under construction (increase) and surplus properties (decrease). Current asset totals have reduced fairly significantly but principally as the short-term investments have been liquidated and then used to reduce the need to borrow externally (reflected above) which is also reflected in the reduction in short-term creditors where the reduction is also due to the reduction in short-term borrowing.
- 4.6 As noted elsewhere, the Authority's own share of the general balance is £14.6m out of the total £27.9m reported on the balance sheet. Note 52 provides a more detailed analysis of the overall balances position and movements. Earmarked reserves have

## Statement of Accounts

reduced by nearly £6.5m during the year. Note 51 provides an analysis of the movements and sets out that the majority of this reduction is caused by movements in the IFRS-related reserves. This simply reflects the fact that a greater portion of the grants received were spent during the year alongside reserves brought forward.

- 4.7 The CFO has reviewed the adequacy of reserves and deemed these to be acceptable for the purposes of starting the MTFP round.

**Richard Bates**  
**Chief Financial Officer**  
September 2016